

## Message Text

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PAGE 01 ABU DH 01585 261020Z  
ACTION NEA-07

INFO OCT-01 SS-14 ISO-00 EUR-08 CIAE-00 EB-04 INR-05  
OMB-01 SP-02 TRSE-00 USIE-00 PA-01 PRS-01 NSC-05  
NSCE-00 SSO-00 INRE-00 /049 W  
-----261029Z 052470 /17

O R 260920Z MAY 77

FM AMEMBASSY ABU DHABI  
TO SECSTATE WASHDC IMMEDIATE 6145  
INFO AMEMBASSY DOHA  
AMEMBASSY MANAMA  
AMEMBASSY KUWAIT  
AMEMBASSY TEHRAN  
AMEMBASSY JIDDA  
AMEMBASSY LONDON

C O N F I D E N T I A L ABU DHABI 1585

LIMDIS

E.O. 11652: GDS  
TAGS : EFIN TC  
SUBJECT: REPORTED RESIGNATION OF UAE CURRENCY BOARD DIRECTOR RON SCOTT

REF: (A) ABU DHABI 158 AND 1568 (B) STATE 121048 (NOTAL)  
(C) USIS 251544Z MAY 77 (NOTAL) (D) MANAMA'S 1126 (NOTAL)

1. WALL STREET JOURNAL ARTICLE CONVEYED IN REF (C) SEEMS TO BE  
SIMILAR TO AN ARTICLE THAT APPEARED IN LONDON FINANCIAL TIMES.  
LATTER HEADLINED SCOTT'S RESIGNATION. BOTH CONTAIN SEVERAL INACCUR-  
ACIES SPECIFIC MEASURES BEING TAKEN BY CURRENCY BOARD, ALL OF WHICH  
WERE LONG OVERDUE, ARE SPELLED OUT IN REF (A), AND BELIEVE DEP-  
ARTMENT SHOULD DRAW ON THIS IN RESPONDING TO PUBLIC  
QUERIES.

2. CURRENCY BOARD DIRECTOR SCOTT CONTINUES TO BE VERY MUCH IN  
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CHARGE. AS WE HAVE REPORTED IN PAST (SEE ABU DHABI'S A-20),  
GENERAL BANKING SITUATION IN UAE HAD BEEN DETERIORATING AND  
SCOTT WAS TRYING TO HAVE MEASURES TAKEN BEFORE BANK CRISIS STARTED.  
EARLY IN APRIL, SCOTT TOLD MINISTER OF FINANCE AND OTHER UAE  
OFFICIALS THAT HE COULD NO LONGER TAKE ANY FURTHER RESPONSIBILITY  
FOR MANAGING THE CURRENCY BOARD AND THEREFORE WAS PLANNING TO  
LEAVE. THE COMBINATION OF THIS NEWS PLUS EXPOSED POSITION OF

SEVERAL BANKS, WITH BANK OF AJMAN AND JANATA BANK BEING TWO WORSE CASES, PLUS ANTICIPATED OPENING OF STILL ANOTHER BANK IN DUBAI IN VIOLATION OF ALREADY EXISTING MORATORIUM BUT WITH SHAIKH RASHID'S BLESSING, FINALLY GALVANIZED UAE OFFICIALS TO TAKE CORRECTIVE ACTION. SCOTT STATES THAT WHAT NEEDS TO BE DONE IS WHAT IS IN PRESS RELEASE, WHOSE DIRECTIVES ARE QUOTED IN THEIR ENTIRETY IN FIRST PARA OF REF A.

3. REPORTS FROM MANAMA SOURCE (REF D) THAT CURRENCY BOARD LICENSES OF SIX BANKS WERE SUSPENDED IS NOT ACCURATE. AJMAN ARAB BANK AND JANATA BANK HAVE BEEN CLOSED. NO OTHER BANKS HAVE CLOSED. RUMORS ARE THAT TOTAL OF SIX BANKS HAVE BEEN IN TROUBLE BUT NO SOURCE AGREES ON WHICH ARE OTHER FOUR BESIDES AJMAN AND JANATA.

4. COMMENT: NEW POLICES WILL, AS WE HAVE POINTED OUT, WEAKEN LOCAL BANKS AND STRENGTHEN FOREIGN-BASED COMPETITION. EFFECTS OF THIS ACTION WILL BE TO FOCUS "BLAME" ON SCOTT FOR "FAVORING FOREIGNERS". IN THIS EVENTUALITY, SCOTT'S RESIGNATION MIGHT BE USEFUL SOP THROWN AT FUTURE DATE BY CENTRAL GOVERNMENT TO ASSUAGE WOUDED PRIDE OF RULERS IN NORTHERN EMIRATES WHO HAVE BEEN UNABLE TO PROTECT THEIR LOCAL BANKS FROM IMPACT OF NEW POLICIES. SCOTT HIMSELF MIGHT BE WILLING TO GO, PARTLY FROM FATIGUE, ESPECIALLY IF HE AND FEDERAL AUTHORITIES (READ SHAIKH ZAYID DISAGREE ON IMPLEMENTATION OF NEW POLICIES. DICKMAN

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## Message Attributes

**Automatic Decaptoning:** Z  
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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
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**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Original Handling Restrictions:** LIMDIS  
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**Subject:** REPORTED RESIGNATION OF UAE CURRENCY BOARD DIRECTOR RON SCOTT  
**TAGS:** EFIN, TC, (SCOTT, RONALD)  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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